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SUBJECT: KAZAKHSTAN: SCENESETTER FOR FBI DIRECTOR ROBERT S. MUELLER

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1. (U) Sensitive but unclassified. Not for public Internet.

2. (SBU) SUMMARY: Embassy Astana warmly welcomes your November 17-18 visit to Kazakhstan. Kazakhstan has proven to be an increasingly reliable security partner and a steady influence in a potentially turbulent region. Although Kazakhstan is willing to work together in criminal investigations, some efforts to increase cooperation have stalled, which is causing them to fall behind other countries in the region. During your visit, you can congratulate Kazakhstan on its current cooperation in criminal investigations and press to enhance future cooperation. END SUMMARY.

SECURITY COOPERATION

3. (SBU) Kazakhstan, on the crossroads of the ancient Silk Road, also finds itself on the crossroads of transnational crime. The United Nations Office of Drugs and Crime estimates that up to 20% of Afghan opiates transit through Kazakhstan. In addition, Kazakhstan is both a source and destination country for trafficking in persons.

It could have easily become a center for laundering transnational criminal profits given that it has the most developed banking system and most stable economy in the region. However, the government's strong political will, legislation based on international standards, and the creation of a financial intelligence unit is preventing such a development.

4. (SBU) Kazakhstan willingly cooperates with the United States to fight terrorism, stem the flow of illegal narcotics, and fight trafficking in persons. Law enforcement agencies recognize their limitations and continue to seek technical assistance from the United States. The Department of State's Bureau for International Narcotics and Law Enforcement (INL) and Office of Antiterrorism Assistance (ATA) and the Department of Defense's Office of Military Cooperation (OMC) provide equipment and technical assistance to law enforcement and security services in Kazakhstan.

15. (SBU) Since 2008, Diplomatic Security's ATA has trained Kazakhstani officials in travel documents, airport security, digital evidence, and post-blast investigations, as well as conducted an anti-terrorism instructor course. Since 2002, INL has provided training courses, equipment, and technical assistance in the areas of border security, counter-narcotics, anti-trafficking in persons, anti-money laundering and terrorism financing, forensics, and crime statistics. INL has worked closely with the FBI in many of these areas and funded the travel of FBI trainers in money laundering and forensics and the visit of Kazakhstani law enforcement officers to the FBI Academy. In 2008, near the end of the INL crime statistics program, the Department of Justice's Bureau of Justice Statistics began to negotiate a direct memorandum of understanding with the Prosecutor General's Office (PGO).

16. (SBU) The Office of Military Cooperation is responsible for implementation of the U.S. Central Command's (USCENTCOM) Theater Security Cooperation Plan (TSCP). A co-signed Memorandum of Understanding between the U.S. DoD and the Kazakhstani Ministry of Defense (MoD) -- called the five-Year Plan for Military Cooperation -- supports CENTCOM's TSCP. The five-year plan outlines three main objectives: 1) Establish a professional Army with rapid deployment capability and NATO compatibility, 2) Establish military capabilities in the Caspian Sea Region, and 3) General systemic reform objectives in support of the first two goals. Within these objectives, several goals relate to border, internal, and maritime security, which the OMC-managed CENTCOM Counter-Narcotics programs support. These goals include programs for regional counter-narcotics security, such as equipment support to the Central Asian Regional Information Coordination Center (CARICC), border security, such as refurbishment and upgrade of three Mi-8 helicopters and ground surveillance radars for the Border Guards, and assistance to Internal Affairs to stem the flow of narcotics

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transiting through the country. OMC works closely with the U.S. Export Control and Border Security (EXBS), INL, and Defense Threat Reduction Agency (DTRA) to ensure all Embassy border-control programs complement one another.

17. (SBU) The Legal Attache (Legat) cooperates well with law enforcement agencies in ongoing investigations. The Kazakhstani government always positively receives and acts upon all investigative requests generated from the Legat Office. Over the past year, the Legat Office has trained Kazakhstani officials about economic crimes and corruption, weapons of mass destruction (WMD) investigative analysis, and WMD cyber crimes. It also conducted a nuclear smuggling workshop and sent a Kazakhstani officer to the FBI's National Academy for the first time.

18. (SBU) Despite good cooperation in many areas, Kazakhstan still lags behind the region in biometric cooperation. That said, Kazakhstan participated in the first-ever Central Asia Biometrics Summit hosted by the FBI in the United States. The Kazakhstani Border Service also has expressed interest in learning more about employing biometric controls. CENTCOM and the U.S. Embassy are exploring support options.

19. (SBU) Kazakhstan is deeply interested in being a regional leader in law enforcement. The Central Asian Regional Information and Coordination Center (CARICC), of which all countries in Central Asia, Russia, and Azerbaijan are members, is based in Almaty. Kazakhstan's law enforcement academies are also seeking to be regional training hubs. The Ministry of Interior will open an Interagency Counter-Narcotics Training Center in December. The Center, co-funded by the United States, will train Afghan police and will be open to all countries in the region.

NON-PROLIFERATION: A HALLMARK OF BILATERAL COOPERATION

110. (SBU) Non-proliferation cooperation has been a hallmark of our bilateral relationship since Kazakhstan quickly agreed to give up the nuclear weapons it inherited from the USSR after becoming independent. The Kazakhstanis recently ratified a seven-year extension to the umbrella agreement for our bilateral Cooperative Threat Reduction (CTR) program, which remains the dominant component of our assistance to Kazakhstan. Key ongoing CTR program activities

include our efforts to secure the radiological material at the Soviet-era Semipalatinsk nuclear test site and to provide long-term storage for the spent fuel (sufficient to fabricate 775 nuclear weapons) from Kazakhstan's BN-350 plutonium fast breeder reactor.

¶11. (SBU) The government of Kazakhstan is responsible for funding the transport of the BN-350 spent fuel from Aktau to Baikal-1. On September 18, the Prime Minister signed two decrees authorizing reserve funding and duty-free equipment transfer that will help ensure continuation of spent fuel transport operations. While these decrees are helpful and timely, we continue to urge the government to take further steps, such as simplified procedures for customs clearances and the adoption of legislation that would exempt technical assistance recipients from property taxes.

¶12. (SBU) The Kazakhstanis are active participants in the Global Initiative to Combat Nuclear Terrorism and are seeking additional ways to help them burnish their non-proliferation credentials. We have welcomed President Nazarbayev's April 6 announcement that Kazakhstan is interested in hosting the Nuclear Threat Initiative's IAEA-administered international nuclear fuel bank. During his October 6-8 visit to Kazakhstan, Deputy Secretary of Energy Daniel Poneman assured the Kazakhstani government that we will support their proposal during the next IAEA Board of Governors meeting, although we have been clear that the Kazakhstanis need to work out the technical details directly with the IAEA. President Nazarbayev also has called for the United Nations to designate August 29 as annual World Non-Nuclear Testing Day, which we support.

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AFGHANISTAN: POISED TO DO EVEN MORE

¶13. (SBU) Kazakhstan has supported our stabilization and reconstruction efforts in Afghanistan, and in recent months, has expressed a willingness to do even more. We signed a bilateral blanket over-flight agreement with Kazakhstan in 2001 that allows U.S. military aircraft supporting Operation Enduring Freedom (OEF) to transit Kazakhstani airspace cost-free. This was followed in 2002 with a bilateral divert agreement that permits our military aircraft to make emergency landings in Kazakhstan when aircraft emergencies or weather conditions do not permit landing at Kyrgyzstan's Manas Air Base. There have been over 6500 over-flights and over 60 divers since these agreements went into effect. In January, Kazakhstan agreed to participate in the Northern Distribution Network -- which entails commercial shipment through Kazakhstani territory of non-lethal supplies for U.S. troops in Afghanistan. Kazakhstan is working on sending several staff officers to the International Security Assistance Forces (ISAF) headquarters in Kabul and, further down the road, might consider providing small-scale non-combat military support, as it did for five-plus years in Iraq.

¶14. (SBU) In 2008, the Kazakhstani government provided approximately \$3 million in assistance to Afghanistan for food and seed aid and to construct a hospital, school, and road. The Kazakhstanis are finalizing a proposal to provide free university education in Kazakhstan to Afghan students. The government has also offered to provide training to Afghan law enforcement officers at law enforcement training institutes in Kazakhstan, and is working on a 2009-2011 assistance program for Afghanistan that might include free university education for up to 1,000 Afghan students. Kazakhstan's Border Guard Service is ready to allow Afghan cadets to attend its full four-year academy as soon as the appropriate bilateral agreements are signed. The Kazakhstanis intend to make Afghanistan one of their priority issues during their 2010 OSCE chairmanship.

ECONOMY: AGGRESSIVE STEPS TO TACKLE ECONOMIC CRISIS

¶15. (SBU) Kazakhstan is Central Asia's economic powerhouse, with a GDP larger than that of the region's other four countries combined. Economic growth averaged over nine percent per year during 2005-07, before dropping to three percent in 2008 with the onset of the global financial crisis. The International Monetary Fund is predicting negative two percent growth for Kazakhstan in 2009, with

a modest economic recovery poised to begin in 2010. Astute macroeconomic policies and extensive economic reforms have played an important role in Kazakhstan's post-independence economic success. The government has taken significant steps to tackle the domestic reverberations of the economic crisis. It has allocated around \$20 billion to take equity stakes in private banks, propped up the construction and real estate sectors, and supported small- and medium-sized enterprises and agriculture.

¶16. (SBU) The banking sector continues to struggle, as Kazakhstan's leading commercial banks have been unable to repay creditors and seek to restructure their debt. In July, BTA Bank, the country's largest commercial bank, declared a moratorium on interest and principal payments. BTA's external debts are valued at \$13 billion, of which the bank said it will repay \$3 billion this year. In 2008, BTA's net losses were \$7.9 billion, and total obligations exceeded the value of its assets by \$4.9 billion. Kazakhstanian authorities continue to investigate former BTA Chairman Mukhtar Ablyazov and other former top managers of the bank. On July 14, the Prosecutor General's office charged 12 members of BTA's credit committee with embezzlement, and six were found guilty and sentenced to jail.

DEMOCRACY: SLOW GOING

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¶17. (SBU) While the Kazakhstanian government articulates a strategic vision of democracy, it has lagged on the implementation front. President Nazarbayev's Nur Otan party officially received 88% of the vote and won all the parliamentary seats in August 2007 elections which OSCE observers concluded did not meet OSCE standards. The next parliamentary and presidential elections are scheduled for 2012 although rumors of early parliamentary elections are intensifying.

¶18. (SBU) When Kazakhstan was selected to be 2010 OSCE chairman-in-office at the November 2007 Madrid OSCE Ministerial meeting, Foreign Minister Tazhin promised his government would amend Kazakhstan's election, political party, and media laws in accordance the recommendations of the OSCE and its Office of Democratic Institutions and Human Rights (ODIHR). (NOTE: Then Foreign Minister Tazhin also promised that as OSCE chairman, Kazakhstan would support the OSCE's Human Dimension and preserve ODIHR's mandate, including its critical role in election observation. END NOTE.) President Nazarbayev signed the amendments into law in February. While key civil society leaders were disappointed that the new legislation did not go further, we considered it to be a step in the right direction and continue to urge the government to follow through with additional reforms.

¶19. (SBU) On September 3, the Balkash district court sentenced Kazakhstan's leading human rights activist Yevgeniy Zhovtis to four years imprisonment for vehicular manslaughter, and the appeals court upheld this decision on October 20. The charge stemmed from a July 26 accident in which Zhovtis struck and killed a pedestrian with his car. Local and international civil society representatives and opposition activists heavily criticized the trial for numerous procedural violations. Some observers allege that the harsh sentence imposed on Zhovtis, a strong critic of the regime, was politically motivated. The Ambassador has publicly urged the Kazakhstanian authorities to provide Zhovtis access to fair legal proceedings, the Embassy issued a statement on October 22 expressing concern about the process following the appeal decision, and we continue to raise the case with senior government officials in Astana and in Washington.

¶20. (SBU) While the Kazakhstanians pride themselves on their religious tolerance, religious groups not traditional to Kazakhstan, such as Evangelical Protestants, Jehovah's Witnesses, Hare Krishnas, and Scientologists, have faced difficulties with the authorities. Parliament passed legislation in late 2008 aimed at asserting more government control over these "non-traditional" religious groups. Following concerns raised by civil society and the international community, President Nazarbayev chose not to sign the legislation, but instead sent it for review to the Constitutional Council -- which ultimately declared it to be unconstitutional.

¶21. (SBU) Though Kazakhstan's diverse print media include many newspapers sharply critical of the government and of President Nazarbayev personally, the broadcast media are essentially government-controlled. On July 10, President Nazarbayev signed into law Internet legislation which provides a legal basis for the government to shut down and block websites whose content allegedly violates the country's laws. On October 22, a Kazakhstani appeals court upheld the Editor-in-Chief of "Alma Ata Info" newspaper's August 8 sentence to three years in prison for publishing confidential internal documents of the Committee for National Security (KNB). In addition, the courts have levied disproportionately large fines for libel against two opposition newspapers over the past year, forcing one paper to close while another is still fighting the case through appeals. These appear to be steps in the wrong direction at a time when Kazakhstan's record on democracy and human rights is in the spotlight because of its forthcoming OSCE chairmanship. We have expressed our disappointment about the Internet legislation and libel regime, and have urged the

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government to implement the Internet law in a manner consistent with Kazakhstan's OSCE commitments on freedom of speech and freedom of the press.

OIL AND GAS PRODUCTION

¶22. (SBU) Kazakhstan produced 70.7 million tons of oil in 2008 (approximately 1.41 million barrels per day (bpd), and is expected to become one of the world's top ten crude oil exporters soon after ¶2015. From January - August, Kazakhstan increased oil production by 8.8%, to 41.83 million tons, compared to the same period last year. U.S. companies -- ExxonMobil, Chevron, and ConocoPhillips -- have significant ownership stakes in each of Kazakhstan's three major hydrocarbon projects: Tengiz, Kashagan, and Karachaganak.

¶23. (SBU) While Kazakhstan has significant gas reserves (2.0 trillion cubic meters is a low-end estimate), current gas exports are less than 10 billion cubic meters (bcm), in part because gas is being reinjected to maximize crude output, and in part because Gazprom, which has a monopoly on the gas market in the region, pays producers only a fraction of the going European price. The country's 40 bcm gas pipeline to China will help to break that monopoly, although the majority of the gas that will be exported via this pipeline will come from Turkmenistan and Uzbekistan, not Kazakhstan. The first line of the China gas pipeline was completed in July, and the first shipments are planned in November. Kazakhstani gas exports to China will be modest, 4-6 bcm annually. The government of Kazakhstan has made several public statements confirming that it has no objection to the Nabucco gas pipeline project, but the government has emphasized that Kazakhstan does not and will not produce enough gas to supply the pipeline.

OIL AND GAS TRANSPORTATION

¶24. (SBU) With significant oil production increases on the horizon, Kazakhstan must develop additional transport routes to bring its crude to market. Our policy is to encourage Kazakhstan to seek diverse transport routes, which will ensure the country's independence from transport monopolists. Currently, most of Kazakhstan's crude is exported via Russia, although some exports flow east to China, west across the Caspian through Azerbaijan, and south across the Caspian to Iran. In July, for example, national oil company KazMunaiGaz (KMG) announced the completion of the Atasu-Alashankou segment, and it recently began pilot crude shipments via the Kenkiyak-Kumkol segment of the 3,000 kilometer oil pipeline to China, which will initially carry 200,000 bpd, with expansion capacity of 400,000 bpd.

¶25. (SBU) We support the expansion of the Caspian Pipeline Consortium (CPC) pipeline, which is the only oil pipeline crossing Russian territory that is not entirely owned and controlled by the Russian government. We also support implementation of the Kazakhstan Caspian Transport System (KCTS), which envisions a "virtual pipeline" of tankers transporting up to one million barrels of crude per day from Kazakhstan's Caspian coast to Baku, from where it will flow onward to market through Georgia, including through the

Baku-Tbilisi-Ceyhan (BTC) pipeline. Negotiations with international oil companies to build the onshore pipeline and offshore marine infrastructure for this \$3 billion project have recently stalled, although the government has expressed an interest in resuming talks.

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